

## Message Text

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PAGE 01 TOKYO 13281 191029Z

20

ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-01 PRS-01 /077 W

----- 035201

R 190916Z SEP 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3458

CONFIDENTIAL TOKYO 13281

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: GDS

TAGS: EFIN, JA

SUBJ: TOKYO FOREX MARKET DEVELOPMENTS SEPT 8-19

1. SUMMARY: AFTER SEVERAL WEEKS OF CONTINUED SELLING PRESSURE ON YEN, TOKYO FOREX MARKET REACTED STRONGLY AS IN EUROPE TO NEWS OF LARGE U.S. CURRENT ACCOUNT SURPLUS IN SECOND QUARTER AND LARGE OVERALL JAPANESE B/P DEFICIT IN AUG. WITH DOL RISING IN EUROPEAN MARKETS, BANK OF JAPAN LOWERED INTERVENTION POINT FROM 298 TO ALMOST 301 YEN/DOL. END SUMMARY.

2. FOR PAST SEVERAL WEEKS, BOJ HAS SUPPORTED YEN AT 298 YEN/DOL LEVEL, AT TIMES INTERVENING HEAVILY IN SPOT MARKET. BOJ INTERVENTION TOTALLED \$750 MIL IN AUG (ACCORDING TO BOJ OFFICIAL) AND WAS APPROXIMATELY \$80 MIL AND \$120 MIL RESPECTIVELY IN FIRST AND SECOND TRADING WEEKS OF SEPT (I.E. THROUGH 9/12).

3. CONTINUATION OF THE WEAKNESS OF THE YEN AND THE SHARP STRENGTHENING OF THE DOLLAR IN EUROPEAN MARKETS AFTER RELEASE OF U.S. SECOND QUARTER B/P STATISTICS PROMPTED

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PAGE 02 TOKYO 13281 191029Z

GOJ TO SHIFT INTERVENTION POINT FROM 298 TO 300.99 YEN

PER DOLLAR ON SEPT 18. BOJ REPORTEDLY SOLD \$180 MIL THAT DAY. MARKET EASED SOMEWHAT AND BOJ DID NOT INTERVENE IN MARKET ON FRIDAY, SEPT 19. NEVERTHELESS, OVERALL TONE OF YEN REMAINS WEAK, EXPORT OUTLOOK REPORTEDLY NOT BRIGHT AND OUTFLOW OF LONG-TERM CAPITAL THROUGH NET SALES BY FOREIGNERS OF JAPANESE STOCKS IS CONTINUING. FINATT, HOWEVER, NOTES THAT PROVISIONAL AUG B/P DATA (TOKYO 13131) INDICATE THAT LARGEST DETERIORATION WAS IN CAPITAL RATHER THAN TRADE OR CURRENT ACCOUNT TRANSACTIONS.

4. FOLLOWING ARE DATA FOR OVERNIGHT SPOT (CENTRAL) AND FORWARD DOLLAR EXCHANGE RATES AND INTERBANK TRADING VOLUMES FOR SEPT 8-19:

CENTRAL FORWARD DOLLARS SPOT  
SPOT RATE (PREMIA IN PCT P.A.) VOL  
(YEN/DOL) 2-MO 3-MO 6-MO (MIL DOL)

SEPT 8 297.98 2.56 2.04 NO TRADE 68

9 298.00 2.62 2.08 1.44 69

10 297.99 2.64 1.89 1.41 62

11 297.90 2.42 2.08 1.40 68

12 298.00 2.21 1.88 1.36 222

WEEKLY FWD VOL WAS \$542 MIL; SWAP VOL WAS \$406 MIL

SEPT 15 -----HOLIDAY-----

16 298.00 2.01 1.68 1.30 150

17 298.00 2.52 1.88 1.48 136

18 300.99 0.62 0.81 0.90 177

19 300.40 3.79 2.40 1.50 94

WEEKLY FWD VOL WAS \$515 MIL; SWAP VOL WAS \$297 MIL

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NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC DATA, FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
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**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** izenbei0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Executive Order:** GS  
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**Review Authority:** izenbei0  
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**Review Date:** 16 JUL 2003  
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**Status:** NATIVE  
**Subject:** TOKYO FOREX MARKET DEVELOPMENTS SEPT 8-19  
**TAGS:** EFIN, JA  
**To:** STATE  
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